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RUEHNT/AMEMBASSY TASHKENT PRIORITY 0069

C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 001844

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E.O. 12958: DECL: 07/06/2034  
TAGS: [PREL](#) [PTER](#) [EAID](#) [ETRD](#) [ENRG](#) [ZK](#) [XD](#) [CH](#) [RS](#) [IR](#)  
SUBJECT: SCO SUMMIT: CHINA WEIGHS LEADERSHIP ROLE AS  
ECONOMY TAKES CENTER STAGE

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Classified By: Acting Political Section Chief Ben Moeling. Reasons 1.4  
(B/D).

Summary

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¶1. (C) Chinese and other Shanghai Organization (SCO) member countries' diplomats told us that the June 16 SCO summit in Yekaterinburg had served primarily as a forum for SCO members to demonstrate a sense of urgency in responding to the global financial crisis, eclipsing discussion about increasing security coordination. MFA confirmed that the USD 10 billion assistance package announced at the summit was new funding, though Central Asian recipient countries had not been consulted beforehand and remained unclear about the details. The new assistance to SCO members may be an attempt by China to demonstrate leadership in the global economic crisis. However, in the Chinese foreign policy community there was debate about the wisdom of assuming such a leadership role in addressing the crisis in the region. China had reservations about expanding the role of the SCO and believes it was not suited to addressing "sensitive issues" such as water-sharing and nonproliferation. Beijing-based Central Asian EmbOffs, who remain cautious about their relations with China, said they shared this view. On the sidelines of the SCO summit, Chinese President Hu Jintao held a meeting with Indian Prime Minister Manmohan Singh, during which Hu emphasized the positive nature of bilateral ties and did not discuss China's border dispute with India. End Summary.

Global Financial Crisis on Center Stage at SCO Summit

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¶2. (C) In a June 24 briefing on the June 16 Shanghai Cooperation Organization (SCO) summit in Yekaterinburg, MFA Eurasian Affairs Department SCO Division Director Wang Wenli said that the summit had served as a platform for SCO members to demonstrate a sense of urgency in responding to the global financial crisis. Wang noted that China believed the most notable outcome had been SCO members' emphasis on continuing regional development efforts and intensifying economic cooperation, and that leaders reached a consensus on the need to accelerate joint efforts in economics, transportation and communications. Wang reported that leaders also expressed a desire to use their own currencies in bilateral trade but no specific proposals were tabled. She indicated that the focus on the economic situation in Central Asia eclipsed discussion about increasing security coordination, although she claimed

that SCO member states agreed on an anti-terrorism convention at the meeting.

#### China's New Assistance Announcement

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¶3. (C) Wang stated that China's announcement at the SCO summit of USD 10 billion in aid did not overlap with previously announced assistance to SCO members and was in addition to the bilateral assistance to Kazakhstan announced in April 2009. Wang downplayed the significance of the new assistance to SCO members, insisting that it was a relatively small increase in China's overall bilateral aid to the region. MFA Eurasian Affairs Department Central Asian Division Deputy Director Guo Yu told PolOff June 25 that the new assistance package was aimed at helping the Central Asian countries deal with the economic downturn, and Beijing was currently studying how this new funding could be best implemented. He noted that the first step would be to work with the recipient countries to seek their input on immediate needs.

#### Recipient Countries not Briefed in Advance

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¶4. (C) In a separate meeting, Tajikistan EmbOff Najmiddin Imomov noted that Tajikistan had only learned of this proposal from China's public announcement at the summit and said his government had no additional details of the arrangement. Najmiddin noted that, based on previous negotiations between China and Tajikistan, he expected it would take considerable time before China delivered the funds. Separately, Kazakhstan EmbOff Askar Kuttykadam confirmed that there had been no internal discussions with

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recipient countries before the announcement of the new assistance, adding that China had yet to make progress in executing the \$10 billion in bilateral aid to Kazakhstan pledged in April.

#### China Contemplates Leadership Role on Economic Crisis

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¶5. (C) Chen Xinming, director of the Russian Studies Department at Renmin University, told PolOff June 25 that SCO member countries used the summit as a forum to present PRC officials with their concerns about the serious impact of the global economic downturn, highlighting its potential to damage social stability and security efforts. Chen said that Central Asian countries were looking to China to take a leading role during the downturn, and Beijing felt a need to demonstrate leadership by taking measures to weather the economic crisis. China's announcement of USD 10 billion in aid was an attempt to demonstrate such leadership, Chen said, but given China's traditional low-key foreign policy, Chinese leaders were still debating whether China could or should assume a higher-profile leadership role in addressing the economic crisis in the region.

#### SCO Not for Sensitive Issues Like Water, Non-Pro

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¶6. (C) When asked about SCO efforts to address water-sharing measures among Central Asian countries, MFA's Wang stressed that consultation and consensus-building among members were basic tenets of the organization, and suggested that "complicated and sensitive" matters such as water-sharing were more appropriately solved through bilateral consultations. (Note: Tajik EmbOff Najmiddin acknowledged the difficult nature of the water-sharing issue but said that China had not sought to participate in efforts to seek a resolution. End note.) Asked whether SCO members discussed recent developments on the Korean peninsula, including the North Korean nuclear and missile tests, Wang said that the issue was not a focus of discussion among member countries

and that the SCO was not the proper forum for dealing with security concerns such as the North Korean and Iranian nuclear programs, adding that there was a lack of consensus among members on nuclear non-proliferation.

#### Central Asians Still Cautious on Engagement with China

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¶7. (C) Kazakh PolOff Askar Kuttykadam noted there was debate in Kazakhstan over whether SCO membership was still in Kazakhstan's interest. He said that Kazakhstan-Russian relations remained strong, but relations with China lagged behind, adding that his biggest worry was about illegal Chinese migration into Kazakhstan, which he said some Kazakhs estimate to be as high as 300,000. Kuttykadam also noted that in 2007, Kazakhstan, citing Kazakh laws that prohibit the movement of foreign troops through its territory, had refused to allow Chinese troops to pass through Kazakhstan en route to Russian military exercises, which forced China's troops to travel a much less convenient route around Kazakhstan. Tajik EmbOff Najmiddin Imomov suggested that Tajikistan continued to place a higher priority on its relations with Russia than with China, noting that Tajikistan's largest embassy was in Moscow and that the recent SCO summit provided Tajikistan with a useful forum for pushing forward enhanced cooperation with fellow SCO members on food safety, an issue of particular importance to Tajikistan.

#### Central Asian Bilats Also Focus on the Economy

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¶8. (C) MFA Central Asian Division Deputy Director Guo Yu reported that President Hu's meetings with leaders of Tajikistan, Kyrgyzstan and Uzbekistan on the margins of the SCO summit similarly had focused on measures to deal with the economic crisis. Hu stressed that economic crisis in Central Asia was a shared challenge for China, and in response China would deepen cooperation on mining, transportation, agriculture, trade and other economic issues. While SCO Division's Wang reiterated China's opposition to the Asian Development Bank's inclusion of projects in Arunachal

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Pradesh, which China claims as its territory, in its 2010 India Country Strategy, she said that that the territorial dispute was not raised in the China-India bilateral meeting held at the summit.  
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